

J. C. Penney Company

A Delaware Corporation

Financial Statement

***Operating One Thousand
Four Hundred and
Seventy four Stores.***

December 31, 1934.

New York, N. Y.
February 27, 1935.

**TO THE STOCKHOLDERS OF
J. C. PENNEY COMPANY:**

I am pleased to submit to you the financial statement and report of operations of J. C. Penney Company for the year ended December 31, 1934 together with statements of operating subsidiaries of the company, all of which are wholly owned by J. C. Penney Company. These statements, though slightly condensed for your convenience, are substantially in the form required for permanent listing on the New York Stock Exchange.

Operations, as evidenced by our sales, reached a new peak for the company. This resulted in increased financial return to an enlarged group of employees, as well as to stockholders and to those furnishing goods and services during the year.

Net profits were \$16,147,315.39 for 1934. This was equivalent to \$6.29 per share on the 2,468,984 shares of No Par Common Stock outstanding at the close of the year, after allowing for \$619,578 paid during 1934 as Preferred dividends.

This compares with \$14,235,638.10 for 1933 equivalent to \$5.51 per share on the 2,468,984 shares of Common Stock outstanding at that year-end after allowing for 1933 Preferred dividends.

Profits were maintained largely in accordance with and proportionate to the increased volume. Efforts of the management have continued to be directed toward a refinement and strengthening of its distributing operations. In this way we have endeavored to offset, as much as possible, the increasing tax burden on business and accordingly on the consuming public in the many localities where we operate.

The operating and financial position of the company as shown by its Balance Sheet will, we believe, bring continued assurance to the stockholders of the company. The ratio of current assets to current liabilities was more than 5 to 1 after year-end dividends and other charges. The cash balance of \$20,605,510.32 not only substantially exceeded all current liabilities, but also provided for any reasonable increase in the scope and volume of operations which may be experienced.

The merchandise inventory, in the opinion of the management, represents a particularly clean and workable stock well in line with the current rate of business.

The year-end extra dividend distributed to stockholders, in the opinion of the Directors, was justified by the recent operating record and by the financial position of the company. It was declared for that reason and also because of the desire to increase further the company's 1934 contribution to the general enhancement of public purchasing power.

For some years the policy of the company has been to follow a selective rather than an extensive expansion program, with emphasis on the consolidation of our position and on continued improvement in the efficiency of our distributing methods. The separate units of our business, spread to various localities in the forty-eight states were, during 1934, in practically all cases profitable. With the diversification and present flexibility of position, it is felt that the company is ready to move ahead with improving conditions as they develop in local sections or generally throughout the country.

During the year, operations were discontinued in fourteen unfavorable locations and twenty-two new units were added in which it was felt potentialities were better. With the net increase, the total number of stores in operation at December 31, was 1,474 against 1,466 at the prior year-end. Immediate plans call for a continuance of the policy of a selective rather than an extensive expansion program.

It seems particularly fitting at this time to remind the stockholders of the efforts and loyalty of our many associates both in the stores and in the central offices of this company. Their devotion merits both mention and reward, and it is hoped that the developments of the future will make it possible to continue to reward such efforts in that way which not only makes for a continuance of endeavor but at the same time tends to perpetuate the stability of the investment of all the stockholders of this company.

Respectfully submitted,

E. G. SAMS, President.

BALANCE SHEET

As at December 31,

ASSETS

Current Assets:

Cash in Banks and on Hand	\$ 20,605,510.32*
Accounts Receivable — Trade and Miscellaneous	875,264.39
Merchandise — at cost or market, whichever is lower	41,931,431.11
Total Current Assets	<u>63,412,205.82</u>

Investments in and Advances to Subsidiary Companies (including undistributed surplus) — at amounts as shown by Subsidiaries' Balance Sheets:

Advances	\$ 2,070,000.00	
Capital Stock and Surplus	<u>1,182,628.75</u>	3,252,628.75

Mortgages Receivable		98,261.94
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Fixed Assets — at net sound values based on estimated replacement cost at December 31, 1932, plus subsequent additions at cost:

Land and Buildings	2,240,031.65
Less Reserve for Depreciation	<u>207,064.64</u>
	2,032,967.01

Furniture and Fixtures, less Provision for Depreciation	5,672,038.24
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Improvements to Leaseholds, less Amortization	<u>1,858,960.67</u>	9,563,965.92
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Deferred Charges — Unexpired Insurance Premiums, Rent Advances, etc.		595,178.64
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Treasury Stock — 40,000 shares of Common Stock held for resale to employees — at December 31, 1932	
Market	985,000.00
	<u>\$ 77,907,241.07</u>

NOTE: *After deducting employees' contract compensation due at December 31, 1934 but paid subsequent

J. C. PENNEY COMPANY

CORPORATION

STATE SHEET

December 31, 1934.

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities	\$ 9,160,705.76
Provision for Federal Income Taxes	<u>2,550,814.84</u>
Total Current Liabilities	11,711,520.60

Mortgage Payable	55,000.00
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Reserves for Fire Losses, etc. and Employees' Death Benefits	1,779,481.91
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Capital Stock:

Preferred 6% Cumulative, \$100.00 par value:

Authorized, 300,000 shares.

Issued, 103,263	\$10,326,300.00
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Common, no par:

Authorized, 3,000,000 shares.

Issued, 2,468,984 shares	<u>23,622,766.67</u>	33,949,066.67
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Surplus (Earned):

J. C. Penney Company	29,279,543.14
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Undistributed Surplus of Subsidiaries	<u>1,132,628.75</u>	30,412,171.89
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\$ 77,907,241.07

and subsequently thereto.

J. C. PENNEY COMPANY

Profit and Loss Account

For the Year Ended December 31, 1934.

(Including Profits of Subsidiaries)

Sales		\$212,053,361.46
Cost of Merchandise Sold, and Selling and General Expenses (exclusive of items specifically set forth below)	\$191,002,756.63	
Maintenance and Repairs	309,751.94	
Depreciation and Amortization (based on December 31, 1932 reduced book value or cost if acquired subsequently)	909,134.69	
Taxes other than Federal Income Taxes	<u>1,956,185.50</u>	<u>194,177,828.76</u>
		17,875,532.70
Discount on Purchases, Interest Received and Miscellaneous Income (Net)		<u>699,616.28</u>
Net Profit before Provision for Federal Income Taxes		18,575,148.98
Provision for Federal Income Taxes		<u>2,550,814.84</u>
		16,024,334.14
Add 1934 Profits of Subsidiaries		122,981.25
Transferred to Surplus		<u>\$ 16,147,315.39*</u>
<i>Note:</i>		
*Net Income, as above	\$ 16,147,315.39	
Deduct Preferred Stock Dividends Paid	<u>619,578.00</u>	
Net income Applicable to Common Stock	<u>\$ 15,527,737.39</u>	
Common Stock issued at end of year	Shares	<u>2,468,984</u>
Earnings per share, after Preferred Stock Dividends, on Common Stock (includes earnings of subsidiaries)	\$	<u>6.29</u>

EARNED SURPLUS ACCOUNT

Surplus at December 31, 1933		\$ 25,628,634.85
Deduct Adjustments of prior years' Federal Income and Capital Stock taxes — J. C. Penney Company and Subsidiaries		<u>56,670.75</u>
		25,571,964.10
Add Net Income for 1934		<u>16,147,315.39</u>
		41,719,279.49
Less Cash Dividends:		
Preferred Stock	\$ 619,578.00	
Common Stock	<u>10,687,529.60</u>	<u>11,307,107.60</u>
Surplus at December 31, 1934		<u>\$ 30,412,171.89</u>

To the Directors of the
J. C. Penney Company,
New York, N. Y.

We have made an examination of the Balance Sheet of the J. C. Penney Company as at December 31, 1934, and of the Profit and Loss and Surplus Accounts for the year 1934. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying Balance Sheet and related Profit and Loss and Surplus Accounts fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at December 31, 1934, and the results of its operations for the year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.,
February 27, 1935.

OFFICERS

J. C. PENNEY
Chairman of the Board

E. C. SAMS	<i>President</i>
LEW V. DAY	<i>Vice-President</i>
W. A. REYNOLDS	<i>2nd Vice-President</i>
J. I. H. HERBERT	<i>3rd Vice-President and Treasurer</i>
A. J. RASKOPF	<i>Secretary</i>
R. W. TROWN	<i>Comptroller</i>

DIRECTORS

J. C. PENNEY, *Chairman*

E. C. SAMS	G. H. CROCKER
GEO. H. BUSHNELL	W. A. REYNOLDS
J. I. H. HERBERT	EARL A. ROSS
L. W. HYER	C. E. DIMMITT
LEW V. DAY	A. W. HUGHES